

VZCZCXRO8995
PP RUEHIK RUEHYG
DE RUEHTH #2031/01 2150825
ZNR UUUUU ZZH
P 030825Z AUG 06
FM AMEMBASSY ATHENS
TO RUEHC/SECSTATE WASHINGTON DC PRIORITY
INFO RUEHZG/NATO EU COLLECTIVE PRIORITY
RUEHAK/AMEMBASSY ANKARA PRIORITY 4250
RUEHRL/AMEMBASSY BERLIN PRIORITY 1107
RUEHBM/AMEMBASSY BUCHAREST PRIORITY 0875
RUEHNC/AMEMBASSY NICOSIA PRIORITY 2610
RUEHNY/AMEMBASSY OSLO PRIORITY 0182
RUEHOT/AMEMBASSY OTTAWA PRIORITY 0495
RUEHFR/AMEMBASSY PARIS PRIORITY 1146
RUEHRO/AMEMBASSY ROME PRIORITY 3549
RUEHSF/AMEMBASSY SOFIA PRIORITY 1443
RUEHSM/AMEMBASSY STOCKHOLM PRIORITY 0160
RUEHTV/AMEMBASSY TEL AVIV PRIORITY 0546
RUEHIK/AMCONSUL THESSALONIKI PRIORITY 0511
RUCPDO/USDOC WASHDC PRIORITY
RUEHNO/USMISSION USNATO PRIORITY 0945
RUEKJCS/SECDEF WASHDC PRIORITY
RUFDNBS/CINCUSAREUR HEIDELBERG GE PRIORITY
RUEKDIA/DIA WASHDC PRIORITY
RUFBPYG/NAVSUPPACT SOUDA BAY GR PRIORITY
RHMFIUU/USNMR SHAPE BE//SA SACEUR// PRIORITY
RUEKJCS/JCS WASHDC//J-5 PRIORITY
RUFNPKD/USDOCOSOUTH NAPLES IT//INTAFF PRIORITY

UNCLAS SECTION 01 OF 02 ATHENS 002031

SIPDIS

SIPDIS

USDOC FOR 534/BXA/SIES/JISBELL
USDOC FOR 6320/TD/TAI/AKEMPER
USDOC FOR 6310/TD/TAI/TLARGAY.RGREEN
USDOC FOR 6610/TD/TACGI/JVANDERWOLF
USDOC FOR 3133/USFCS/OIO/CFPOZA/PBUCHER
USDOC FOR 4220/ITA/EUR/MAC/ACORRO
DEPT FOR EUR/SE, EUR/RPM, PM/PPA, AND PM/RSAT
SECDEF PASS OSD, ISA/EUR, AND USDP:DSCA
SHAPE FOR MILAM
MILITARY ADDRESSEES ALSO FOR POLADS

E.O. 12958: N/A

TAGS: [MARR](#) [MCA](#) [MASS](#) [NATO](#) [PREL](#) [PINR](#) [TU](#) [GR](#)

SUBJECT: ARMS PROCUREMENT PLAN 2006-2010 APPROVED

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11. (U) Summary: On July 25, the GoG announced plans to spend an estimated EUR 27 billion for arms procurement over the next decade. The first five-year leg of the program does not include appropriations for a new fighter in an apparent effort by the Karamanlis administration to relieve political pressures to buy European aircraft and take some of the strain off the budget, at least temporarily. Defense Minister Meimarakis claimed that this ten-year procurement plan streamlines defense spending and seeks to settle outstanding debt left behind by the previous PASOK governments. Meimarakis also claimed that the government's handling of defense budget actually brings down defense spending to one percent of GDP as opposed to "more than two percent" under PASOK, a claim PASOK strenuously denied. End summary.

12. (U) The Karamanlis government has announced plans to spend an estimated EUR 27 billion for arms procurement over the next decade. According to press reports, the first five-year leg of the plan (2006-2010) will consume EUR 11.39 billion and will not include appropriations for a new fighter aircraft. Instead, the five-year program will concentrate on the building of six new frigates, the purchase of a new trainer aircraft and new armored personnel carriers, the

acquisition of helicopters for heavy lift and search-and-rescue missions, and the procurement of modern communication and satellite-assisted surveillance systems. Part of the budget shows a shift from heavier forces toward lighter, more deployable forces that the NRF (NATO Response Force) can use, such as wheeled armored personnel carriers, troop transport helicopters, and long-range communications. The announcement came following a meeting of the Government Committee on Defense and Foreign Affairs (KYSEA) held on July 25 and chaired by PM Karamanlis.

¶3. (U) Defense Minister Meimarakis, speaking to reporters after the meeting, said that EUR 8.5 billion out of the EUR 11.39 billion for the first leg of the 10-year plan represents appropriations to pay outstanding debt left behind by the previous PASOK administration. Another EUR 1.09 billion will be further required after 2010 to complete payments of outstanding PASOK debts, Meimarakis maintained. Since these sums do not even include the amounts required for Value Added Tax (VAT), the Defense Minister added, the actual net defense procurement outlay for the next ten years is close to one percent of GDP. This is a marked improvement over the "more than two percent (of GDP)" that the previous PASOK administration spent during the four years 1999-2003, and demonstrates that the government is honoring its election campaign promise to reduce defense spending in favor of social programs, Meimarakis claimed.

¶4. (U) PASOK reacted to the Defense Minister's claims with a statement from its foreign affairs section chair, Christos Papoutsis. Papoutsis dismissed the Meimarakis figures as merely an attempt to present an "apportionment" of resources among the armed services in order to attempt to "rationalize" defense spending. The government's handling of defense

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procurement, Papoutsis said, increases costs, "mortgages" the future of the welfare state, and pushes up the overall defense budget instead of economizing with the view of offering more funds for education, health care, and social security.

¶5. (U) Comment: Although the EUR 27 billion came as no surprise, observers still underlined that this is an enormous amount for the Greek economy. Some columnists also highlighted the fact that the Meimarakis payment plan, unlike its PASOK predecessors, does not include borrowing, but rather places the entire defense procurement burden on appropriations from the central government budget. Columnists also generally agreed that the absence of mention of a new fighter in the procurement announcement signals the postponement of any action on this item for at least three years -- and actually favors the US-built Joint Strike Fighter over the Eurofighter Typhoon. MoD watchers suggested that the Karamanlis government, by postponing decisions on the new fighter, sought to diffuse politico-diplomatic "pressures" from competing manufacturing countries and, also, reduce the strain on the budget, at least temporarily. End comment.

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